

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1346 - SB 1303**

March 24, 2011

**SUMMARY OF BILL:** Authorizes wineries in the state to sell and transport up to 3,000 cases of wine each year to restaurants and hotels.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – \$230/ABC Fund  
\$13,900/General Fund  
Increase State Expenditures – Not Significant**

**Increase Local Revenue – \$3,600/Permissive  
Increase Local Expenditures – Not Significant/Permissive**

**Assumptions:**

- Four types of taxes will be impacted by this bill. The excise tax on wine, the state sales tax, local sales tax, and the enforcement tax on the sale of alcoholic beverages.
- Wine sales are subject to a \$1.21 per gallon excise tax. The current sales tax rate is seven percent and the average local option sales tax rate is estimated to be 2.5 percent. The enforcement tax is \$0.15 per case to the ABC Fund.
- According to *The 2009 Wine Handbook*, there are approximately 12 bottles or 2.377 gallons of wine per case.
- According to the Department of Revenue, Tennessee wineries will direct 25 percent of their output to restaurants and hotels. The total increase in sales from the portion directed to restaurants and hotels will be five percent.
- According to the Department of Revenue, the total FY09-10 excise tax collection from wineries in the state was \$314,000 or 295,504 gallons.
- The increase in excise tax revenue for FY11-12 is estimated to be approximately \$3,925 ( $\$314,000 \times 25\% \times 5\%$ ).
- According to *The 2009 Wine Handbook*, the average price of wine per gallon is \$38.60 resulting in approximately \$11,406,454 (295,504 gallons sold x \$38.60) in total revenue from the sale of wine at Tennessee wineries.
- The increase in state sales tax revenue is estimated to be \$9,981 ( $\$11,406,454 \times 7\% \times 25\% \times 5\%$ ).
- The increase in local sales tax revenue is estimated to be \$3,565 ( $\$11,406,454 \times 2.5\% \times 25\% \times 5\%$ ).

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- Based on information provided by the Department of Revenue, enforcement tax collections from the sale of wine by Tennessee wineries in FY09-10 was \$18,648 [(295,504 gallons/2.377 gallons) x \$0.15]. A five percent increase in sales will result in an increase to enforcement tax collections of \$233 (\$18,648 x 25% x 5%).
- There will not be a significant increase to state or local governments to collect additional tax revenue.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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